

TESTIMONY OF
UIL HOLDINGS CORPORATION
Before the Energy and Technology Committee

On
Section 1
Of

RAISED BILL NO1079 - AN ACT CONCERNING OPERATIONS OF PUBLIC SERVICE COMPANIES

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy & Technology Committee. My name is Michael Coretto and I am Associate Vice President – Regulatory Affairs for UIL Holdings Corporation (UIL). UIL is the parent company of The United Illuminating Company (UI), The Southern Connecticut Gas Company (SCG) and Connecticut Natural Gas Corporation (CNG).

Thank you for the opportunity to offer UIL's comments regarding Raised Bill No. 1079, AN ACT CONCERNING OPERATIONS OF PUBLIC SERVICE COMPANIES. I will be testifying today on Section 1 of the Raised Bill regarding decoupling of distribution revenues from the volume of sales.

As we have done in the past, UIL supports the decoupling of revenues from volume of sales. We support the specific changes contained in Section 1 of the Bill because it furthers the policy of decoupling and offers a methodology that truly accomplishes the objectives. Prior statutory language that included the use of rate design as a decoupling tool has not accomplished the objective. The following example illustrates this point:

In 2011, UI's retail electric rates, absent decoupling, are projected to collect 48% of the allowed distribution revenue requirement through "fixed" charges, which include Basic Service Charges and

Demand Charges. In fact, some people would not consider demand charges to be purely “fixed” since the actual charge is still dependent on the quantity of electricity used by the customer. Even with that broad definition of “fixed” charges, 52% of the allowed distribution revenue is projected to be recovered through volumetric, or kilowatt-hour based charges. Increasing the amount of revenue recovered through fixed charges by 25%, which is considered rate design decoupling under the current statute, would still result in 40% of the allowed distribution revenue requirement being collected based on volumetric charges that vary with usage. This result is not true decoupling, but rather an incremental shift to more fixed charge recovery.

The goal of decoupling – to provide the utility with no more and no less than the revenues determined by the DPUC to be necessary to provide safe, adequate and reliable service to customers – will be promoted if Section 1 of the Bill is enacted. Under this Section, the DPUC would still have some latitude in implementing decoupling in order to recognize any differences between individual companies or industries. For example, a “use-per-customer” model or a matching of allowed distribution revenues could be used, depending on the specifics of the company and/or industry being examined. UI’s pilot decoupling program, to be reviewed this year by the DPUC, would meet the definition of decoupling under Section 1 of the Bill.

Thank you for the opportunity to testify today, and I would be happy to answer any questions the committee may have.